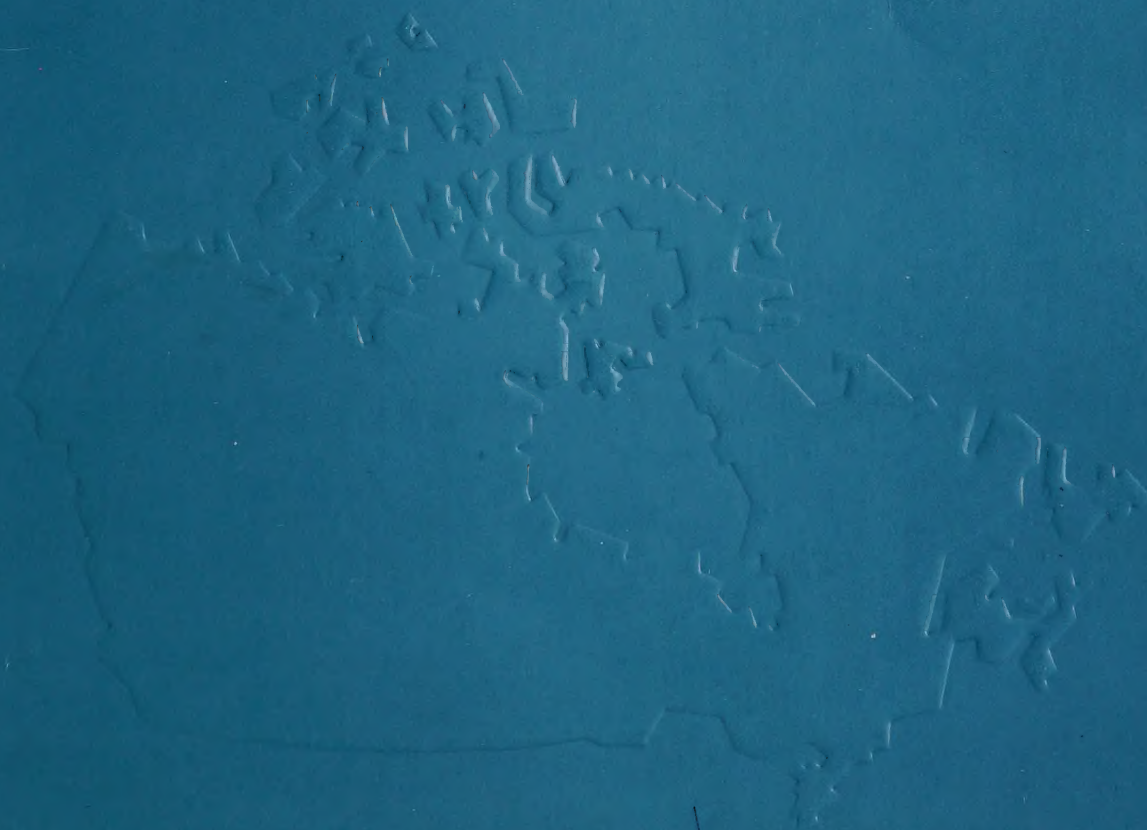


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ANNUAL REPORT 1970

**ANGLO AMERICAN CORPORATION
OF CANADA LIMITED**



DIRECTORS

ERIC S. AUSTIN

President, Hudson Bay Mining and Smelting Co., Limited

IAN D. DAVIDSON, C.B.E.

Chairman, Western Assurance Company

ALLAN GRAYDON, Q.C.

Counsel, Messrs. Blake, Cassels & Graydon

H. F. OPPENHEIMER

Chairman, Anglo American Corporation of South Africa Limited and De Beers Consolidated Mines Limited.

Director, Canadian Imperial Bank of Commerce

T. O. PETERSON

Director, The Investors Group

G. W. H. RELLY

Chairman and President, Anglo American Corporation of Canada Limited

G. J. RISBY

Vice President—Treasurer, Anglo American Corporation of Canada Limited

M. W. RUSH

Director, Anglo American Corporation of South Africa Limited and Hudson Bay Mining and Smelting Co., Limited

RHYS M. SALE, LL.D., D.Sc.

Director, Great West Life Assurance Company

S. SPIRO

Chairman and Managing Director, Charter Consolidated Limited.

Director, Anglo American Corporation of South Africa Limited

L. G. STOPFORD SACKVILLE

Director, Charter Consolidated Limited

J. D. TAYLOR, Q.C.

Partner, Fasken & Calvin

OFFICERS

G. W. H. RELLY, *Chairman and President*

G. J. RISBY, *Vice President—Treasurer*

DR. A. E. WATERS JR., *Vice President—Exploration*

A. B. McKERRON, *Vice President*

T. P. SULLIVAN, C.A., *Secretary*

Report of the Directors

There was no change during 1970 in the issued capital of the Company which remained at 8,429,545 shares without par value, representing capital funds of \$86,085,450. Retained earnings at the year-end were \$10,511,439 and the resultant total shareholders' equity \$96,596,889.

The issued capital continued to be held as to 90 per cent by companies associated with the Anglo American, De Beers and Charter Consolidated Groups of Companies and 10 per cent by companies administered by The Investors Group.

Lower metal prices, the historically high level of interest rates and the sharp decline in stock market prices made the past year a difficult one and adversely affected the results of the Company. Net income of the Company and its subsidiaries for the year 1970 was \$906,647, equivalent to 10.8 cents per share, compared with \$5,169,942, or 61.3 cents per share the previous year. The marked reduction in net income, by comparison with 1969, results from lower dividend income from Hudson Bay Mining and Smelting Co., Limited, heavy interest charges and losses on the sale of silver bullion and on trading securities. The losses on trading securities, amounting to \$846,064, which compared with a profit of \$662,719 from the same source in 1969, were unrealized but charged against earnings in line with the practice adopted in previous years by the Company. The prior year's earnings included non-recurring gains on the sale

of gold bullion, amounting to \$373,747 and on the sale of gas leases of \$230,989. Not included in normal earnings for 1970 were exceptional gains of \$997,308 realized on the sale of investment holdings. Such gains the previous year amounted to \$7,943,495.

Dividend payments for the year were maintained at 40 cents per share and absorbed \$3,371,818. After making provision for expenditure on exploration ventures of \$965,548 and writing down investments by \$155,200, retained earnings were reduced by an amount of \$2,588,611.

The policy of reducing the Company's shareholdings in De Beers Consolidated Mines Limited and in Rand Selection Corporation Limited, with the intention of making further funds available for investment in Canada, was continued during the year. The Company disposed of the remaining shares it held in Rand Selection Corporation during 1970.

The Company participated with other companies in the Anglo American Group in the purchase of a controlling interest in Engelhard Hanovia, Inc., which company in turn owns approximately 44 per cent of the common stock and 22 per cent of the preferred stock of Engelhard Minerals and Chemicals Corporation, an international precious metals and minerals concern whose shares are listed on the New York Stock Exchange. As a participant in this business, your Company invested \$10 million

(U.S. funds). However, since the year-end arrangements have been made for the Company's interest to be taken over by associated companies in order to release the funds for Canadian investment.

HUDSON BAY MINING AND SMELTING CO., LIMITED

The Company's shareholding in Hudson Bay Mining remained the same as at the end of the previous year at 2,530,671 shares (after adjustment for the 3-1 stock split in 1970), or 28.0 per cent of that company's issued capital.

Net earnings of Hudson Bay Mining for 1970 were \$19,563,000 or \$2.16 per share, compared with \$29,699,000 or \$3.29 per share the previous year. The decline in earnings resulted from lower metal prices, higher operating costs, reduced gains on sale of investments and lower revenue from exports due to the unpegging of the Canadian dollar. Total dividend distributions during the year were \$1.18½ per share, compared with \$1.46 ⅔ per share in 1969.

Metal production by Hudson Bay Mining in 1970 comprised 84.4 million pounds of refined copper, 157.2 million pounds of slab zinc and significant quantities of cadmium, selenium, gold, silver and lead.

New ore outlined during the year at the various mines of Hudson Bay Mining in the Flin Flon - Snow Lake area totalled 2,775,000 tons, some 1,066,000 tons more than the tonnage of ore mined. Reserves of proven ore at the

year-end, which were the highest since 1957, totalled 19,115,000 tons, averaging 2.9 per cent copper and 3.3 per cent zinc. At the Wellgreen property of Hudson-Yukon Mining Co., Limited, 202 miles northwest of Whitehorse, proven reserves of copper-nickel ore total 737,600 tons assaying 2.04 per cent nickel and 1.42 per cent copper. Hudson Bay Mining owns 94 per cent of the outstanding shares of Hudson-Yukon.

The first potash produced by the Sylvite of Canada division of Hudson Bay Mining was shipped in September, 1970, 26 months after shaft-sinking began. The \$70 million venture, which was brought into production on schedule and within budget, should make a positive contribution this year to the overall cash flow of Hudson Bay Mining despite the present unfavourable circumstances prevailing in the potash industry.

Francana Oil & Gas Ltd., in which Hudson Bay Mining has a 52.4 per cent shareholding interest, held working interests at the end of 1970 in petroleum and natural gas rights totalling 6,460,000 gross acres, corresponding to 2,865,000 net acres. The distribution of acreage provides the company with representation in the major exploration areas of Western Canada, the Arctic Islands, the Mackenzie Delta and the East Coast offshore area.

Gross operating revenue of Francana Oil & Gas in 1970 rose 17 per cent to \$2,457,000 and cash flow from operations, which amounted to \$1,920,000, showed an

increase of 19 per cent. Net earnings after provision for deferred taxes were up by 18 per cent and totalled \$904,000 for the year.

Production of sodium sulphate in 1970 by Francana Minerals Ltd., 60 per cent owned by Hudson Bay Mining, totalled 32,588 tons, compared with 30,564 tons in the previous year. Sales in 1970, the second year of full operations, were 34,216 tons, compared with 32,126 tons in 1969. Francana Minerals operated at a small loss in 1970, but sales projected for 1971 should enable the company to become profitable.

Extensive prospecting by Hudson Bay Mining in various parts of Canada has indicated some interesting targets, justifying a substantial drilling programme in 1971.

As the result of strike action by certain unions at Flin Flon and Snow Lake on January 27th, 1971, operations were closed down and had not been resumed at the date of writing. The impact of the strike on the Company's earnings for the year will be serious.

THE WHITE PASS AND YUKON CORPORATION LIMITED

The Company continues to hold a 26.2 per cent interest in the outstanding common shares of The White Pass and Yukon Corporation.

The company's earnings for 1970 were affected by a five-week strike of rail operating employees during one

of the busiest periods of the year and by a number of other work stoppages. Before special items, earnings amounted to \$1,362,000 or 52 cents per share, compared to \$1,822,000 or 77 cents per share for 1969. Non-recurring income increased total earnings per share from all sources to 65 cents in 1970, compared with 83 cents the previous year.

Certain of the mines serviced by The White Pass and Yukon Corporation will increase their production and their volume of freight during 1971. This additional volume will involve capital expenditure for trucks, an additional locomotive and new containers. The funds for this and capital expenditure of a replacement nature will be provided in part by bank borrowing.

Increases in mineral production and oil exploration are expected to result in a further growth in the company's sales of petroleum products in 1971.

GREAT NORTHERN CAPITAL CORPORATION LIMITED

In January, 1971, the Company increased its interest in Great Northern Capital and now owns 596,750 shares, equal to 25.6 per cent of the outstanding shares. The increased shareholding resulted from the exercise of options by the Company granted under terms of agreements entered into in 1968 with certain major shareholders of Great Northern Capital.

Consolidated net income of Great Northern Capital in

1970 was \$3,234,000 or \$1.39 per share, compared with \$2,230,000, or \$0.97 per share the previous year. Land sales improved in 1970 in spite of the marked down-turn in housing starts. Reduced sales of residential lots in Eastern Canada and of leisure properties in the United States were more than offset by record sales in Western Canada.

Rental income was also higher than the previous year. Such income was received in 1970 from the Toronto Professional Building and the company's town-house development in Markham. The company is expanding its holdings in income properties and 1971 earnings will reflect completion of The Towers of Polo Park, a residential-commercial building in Winnipeg. Construction of an office building in Calgary began last October and it will be available for occupancy during the final quarter of 1971. Various other projects are in the planning stage.

Revenue from industrial operations was substantially higher in 1970, although the net contribution to earnings from this source showed little change from the previous year. Leasing operations, which commenced in 1969 and have since been expanded, added significantly to 1970 earnings.

NEW IMPERIAL MINES LTD.

The Company's interest in New Imperial Mines of \$1,425,000 of 7 per cent income bonds and 500,000 shares remained unchanged from the previous year.

Operating profit for 1970 was \$2,235,000, and after provision for depreciation, amortization, interest charges and loss on disposal of fixed assets, net earnings were \$39,000, compared with \$3,895,000 the previous year. The decrease in operating income was attributable to lower copper prices, unpegging of the Canadian dollar and higher operating costs.

Owing to the decline in copper prices earlier in the year a large portion of the company's developed open-pit ore became uneconomic and on January 25th, 1971, milling operations were suspended. These operations were resumed on February 22nd, 1971, when the higher grade Black Cub orebody came into production. Mining of this orebody will take approximately four months and, meantime, a feasibility study is being carried out to determine whether to continue open-pit production until completion of the underground development of the Little Chief orebody. At the year-end combined underground and open-pit ore reserves amounted to 3,500,000 tons, grading 2.31 per cent copper.

FRANCANA DEVELOPMENT CORPORATION LTD.

Net income of Francana Development Corporation, in which the Company has a 40 per cent interest, amounted to \$681,000 in 1970 compared with \$963,000 the previous year. As in 1969, the major portion of the company's revenue comprised dividends from Hudson Bay Mining and Francana Oil & Gas, its two major shareholdings.

At the year-end the net asset value of Francana Development Corporation, taking listed assets at their market value and unquoted at cost, was \$20,900,000 compared to \$18,900,000 at the end of 1969.

AGNEW LAKE MINES LIMITED

Because of prevailing low uranium prices, Agnew Lake Mines, in which the Company holds a 10 per cent interest, decided to suspend its underground development operations. The property will be held on a care and maintenance basis in anticipation of higher uranium prices.

At the year-end estimated undiluted reserves to a depth of 3,500 feet were 2,500,000 tons grading 2.10 lbs. U_3O_8 per ton over a 6.3 foot width in Zone 3 and 4,400,000 tons of 1.53 lbs. U_3O_8 per ton over a 9.0 foot width in Zone 5, and an additional 1,400,000 tons grading 2.27 lbs. U_3O_8 per ton over a 6.0 foot width in Zone 3 on adjoining Kerr Addison claims.

PROSPECTING

The Joint Exploration Programme with Hudson Bay Exploration and Development Company Limited was continued during 1970 and work was carried out in the Yukon Territory, British Columbia, Ontario, and Quebec where geophysical and geochemical anomalies were tested by surface diamond drilling. Approximately 33,500 feet of drilling tested 57 anomalies and although deposits containing copper, zinc, and tungsten were

discovered, none of these has yet proved to be of economic significance. Airborne geophysical surveys in Western Ontario have provided many targets for future work and prospecting programmes are planned for British Columbia and the Yukon Territory for 1971.

In Mexico, Canmex Minera de México S.A. de C.V., controlled by the Company and Mexican interests, examined various silver and tin prospects. The search for porphyry type copper deposits was continued in the State of Sonora, where a geochemical survey over some 4,000 hectares, acquired from the Government by pegging, yielded anomalies which it is intended to drill this year. The search elsewhere in Mexico for deposits of economic interest is continuing.

DIRECTORS

The death of Mr. C. W. Engelhard on March 2nd, 1971, is recorded with deep regret.

On May 7th, 1970, Mr. H. F. Oppenheimer relinquished the Chairmanship of the Company and Mr. G. W. H. Relly was appointed in his place.

On March 29th, 1971, Mr. L. G. Stopford Sackville was appointed a Director in place of the Hon. Hugh Vivian Smith, who retired as Chairman of Charter Consolidated Limited, and Mr. G. J. Risby filled the vacancy created by the death of Mr. Engelhard.

April 21st, 1971.

G. W. H. RELLY,
Chairman and President

Consolidated statement of income and retained earnings for the year ended December 31, 1970

(with 1969 figures for comparison)

ANGLO AMERICAN CORPORATION OF CANADA LIMITED AND ITS WHOLLY-OWNED SUBSIDIARY COMPANIES

	1970	1969
Income:		
Dividends	\$ 3,829,458	\$ 4,526,333
Interest	1,011,234	1,887,532
Profit (loss) on trading securities—after provision for unrealized losses, 1970—\$862,256; 1969—\$540,929	(846,064)	662,719
Gain (loss) on sale of bullion	(352,973)	373,747
Profit on sale of gas leases	—	230,989
Miscellaneous	17,979	14,334
Total income	3,659,634	7,695,654
Expenses:		
Interest:		
Affiliated companies	291,371	281,752
Other	1,846,222	1,615,428
Other operating expenses, less recoveries, 1970—\$192,646; 1969—\$183,721	619,066	488,943
Net expenses	2,756,659	2,386,123
Income before taxes	902,975	5,309,531
Provision for taxes (Note 6)	(3,672)	139,589
Net income	906,647	5,169,942
Gain on realization of investments	997,308	7,943,495
Retained earnings at beginning of the year	13,100,050	4,384,535
	15,004,005	17,497,972
Less:		
Dividends paid	3,371,818	3,371,818
Transfer to prospecting and exploration reserve (Note 4)	965,548	776,106
Amounts written off investments	155,200	249,998
	4,492,566	4,397,922
Retained earnings at end of the year	\$10,511,439	\$13,100,050

The accompanying notes are an integral part of the financial statements.

Consolidated balance sheet as at December 31, 1970

(with 1969 figures for comparison)

ANGLO AMERICAN CORPORATION OF CANADA LIMITED (Incorporated under the Canada Corporations Act)
AND ITS WHOLLY-OWNED SUBSIDIARY COMPANIES

ASSETS

	1970	1969
Current assets:		
Cash	\$ 94,329	\$ 57,297
Accrued interest and dividends receivable	395,370	403,928
Accounts receivable—largely due from brokers	955,178	363,433
Taxes recoverable	109,358	554,378
Notes and deposits:		
Chartered banks:		
Canadian term deposits	200,000	198,968
U.S. term deposits (1970—U.S. \$2,410,182; 1969—U.S. \$292,000)	2,435,037	313,462
Financial institutions:		
Canadian notes receivable	4,897,740	—
Loans receivable	155,590	1,509,840
Trading securities—at the lower of cost or market value (market value, 1970—\$3,121,623; 1969—\$3,876,997) (Note 2)	3,107,237	3,828,059
Mortgages	—	1,123,564
Total current assets	12,349,839	8,352,929
Silver bullion—at cost (realizable value, 1970—\$823,887; 1969—\$960,447)	984,246	984,246
Quoted investments—at cost less amount written off, 1970—\$125,000; 1969—Nil (market value, 1970—\$74,446,398; 1969—\$103,433,798) (Note 2)	86,136,595	88,079,057
Unquoted investments—at cost less amounts written off, 1970—\$1,107,569; 1969—\$1,077,369	24,228,239	23,817,771
Fixed assets (Note 3)	315,262	309,853
Interests in mining investigations—at cost less prospecting and exploration reserve, 1970—\$1,990,201; 1969—\$1,024,653 (Note 4)	1	1
TOTAL	\$124,014,182	\$121,543,857

The accompanying notes are an integral part of the financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY

	1970	1969
Current liabilities:		
Accounts payable and accrued charges	\$ 253,108	\$ 237,792
Accrued interest payable	406,213	55,611
Loans and deposits:		
Chartered banks (Note 5)	34,000	10,166,000
Financial institutions (Note 5)	1,635,000	1,073,125
Affiliated companies	4,877,573	4,591,151
Other:		
Canadian loans	2,911,864	3,186,404
U.S. loans (1970—U.S. \$13,631,213; 1969—U.S. \$2,616,690)	13,771,860	2,811,140
Income debentures (Note 5)	3,500,000	—
Taxes payable	27,675	237,134
Total current liabilities	<u>27,417,293</u>	<u>22,358,357</u>
Shareholders' equity:		
Capital stock:		
Authorized:		
10,000,000 shares without nominal or par value		
Issued and fully paid:		
8,429,545 shares	86,085,450	86,085,450
Retained earnings	10,511,439	13,100,050
Total shareholders' equity	<u>96,596,889</u>	<u>99,185,500</u>
Approved by the Board:		
G. W. H. Relly, <i>Director</i>		
Ian D. Davidson, <i>Director</i>		
TOTAL	<u>\$124,014,182</u>	<u>\$121,543,857</u>

Consolidated statement of source and application of funds for the year ended December 31, 1970

(with 1969 figures for comparison)

ANGLO AMERICAN CORPORATION OF CANADA LIMITED AND ITS WHOLLY-OWNED SUBSIDIARY COMPANIES

	1970	1969
Source of funds:		
Net income for the year	\$ 906,647	\$ 5,169,942
Depreciation, amortization and amounts written off furniture and office equipment ..	20,696	36,109
Investments realized:		
Quoted	3,070,979	12,501,165
Unquoted	20,275	2,801,761
Mortgages	—	1,123,564
Total funds provided	<u>4,018,597</u>	<u>21,632,541</u>
Application of funds:		
Investments acquired:		
Quoted	208,210	22,887,069
Unquoted	508,942	14,473,223
Dividends paid	3,371,818	3,371,818
Prospecting and exploration expenditures	965,548	776,106
Fixed assets purchased	26,105	22,300
Silver bullion acquired	—	984,246
Total funds applied	<u>5,080,623</u>	<u>42,514,762</u>
Decrease in working capital for the year	1,062,026	20,882,221
Working capital (deficiency) at beginning of the year	(14,005,428)	6,876,793
Working capital (deficiency) at end of the year	<u><u>\$(15,067,454)</u></u>	<u><u>\$(14,005,428)</u></u>

The accompanying notes are an integral part of the financial statements.

Notes to the consolidated financial statements

December 31, 1970

ANGLO AMERICAN CORPORATION OF CANADA LIMITED AND ITS WHOLLY-OWNED SUBSIDIARY COMPANIES

1. Structure of Amcan Group

In the accompanying consolidated financial statements, the accounts of Anglo American Corporation of Canada Limited (Amcan) have been consolidated with those of its subsidiary companies, all of which are wholly owned:

Anmercosa Securities Limited
 Anglo Canada Holdings (Bahamas) Limited
 Anglo American Corporation of Canada Exploration Limited
 Anmercosa Finance Limited
 Anmercosa Investments Limited
 Anmercosa Ventures Limited
 Mean Investments Limited

2. Market Values

Market values of trading securities and quoted investments are based on closing bid prices on December 31, 1970. In the case of large shareholdings, such prices do not necessarily represent the realizable value of the companies' holdings which may be more or less than the indicated market value.

Bid prices in foreign currencies have been converted to Canadian funds at the rates of exchange prevailing at December 31, 1970.

3. Fixed Assets

Fixed assets are comprised of the following:

Land and buildings—at cost less accumulated depreciation of \$31,301	\$162,445
Leasehold improvements—at cost less accumulated amortization of \$21,089	152,816
Furniture and office equipment—at cost less amount written off of \$222,394	1
	<u>\$315,262</u>

4. Interests in Mining Investigations

Although the business of the Amcan group of companies is principally that of mining finance and, to a lesser extent, security trading, certain prospecting and exploration expenditures are made each year in respect of interests in mining investigations. The policy of the Amcan group is to provide in full against the value of these interests because the ultimate realizable value is not determinable. Accordingly, an annual appropriation is made from retained earnings sufficient in amount to reduce interests in mining investigations to a nominal value of \$1, even though further work is continuing on certain of the prospects. If an interest is proven up, sold,

or a participation therein is granted, the resulting recovery of value will be treated as a credit to retained earnings.

5. Loans, Debentures, and Guarantees

Certain quoted investments have been lodged with banks as collateral security for the following:

- Bank lines of credit of \$10,000,000, of which \$34,000 was utilized as at December 31, 1970.
- The income debentures, which are repayable within one year.

Certain Canadian notes receivable have been lodged as collateral security for loans from financial institutions.

A subsidiary company has guaranteed bank loans in the aggregate amount of \$450,000 to certain companies in which it has invested.

6. Income Taxes

A substantial portion of the income is not subject to income tax, since it is comprised of dividends and interest on income bonds from tax-paying Canadian companies.

Accumulated deferred exploration expenditures of approximately \$1,856,000 are available for application against appropriate taxable income of future years; in addition, losses for tax purposes totalling approximately \$2,625,000 are available for application against taxable income of future years. These losses expire in 1975.

7. Forward Contracts

As at December 31, 1970, there were commitments to purchase a total of U.S. \$15,784,223 on various dates to March 15, 1971, at a total cost of Canadian \$16,097,535.

8. Conversion of U.S. Dollar Accounts

U.S. dollar accounts in these financial statements have been converted to Canadian dollars as follows:

Current assets and current liabilities—at a rate approximating the average rate of exchange on U.S. dollar forward contracts outstanding at December 31, 1970.

Unquoted investments—at the rate of exchange ruling at the date of purchase.

Income and expenses—at the rates of exchange ruling at the dates of settlement.

9. Long-term Lease Commitment

Under long-term lease agreements, there is a commitment to pay net rentals of approximately \$166,000 in each of the next two years, and approximately \$161,000 in each of the nineteen years thereafter.

10. Commitment—Agnew Lake Mines Limited

As part of its participation in a programme to provide financing for Agnew Lake Mines Limited, Amcan has agreed to guarantee 20% of any bank loan to Agnew Lake Mines Limited, if such loan were guaranteed as to 80% thereof by Kerr Addison Mines Limited. No such guarantees are presently contemplated, Agnew Lake Mines Limited's financing being currently provided through the sale of units consisting of 7% debentures and common shares. Prior to December 31, 1970, companies in the group had acquired \$3,000,000 worth of these units. The maximum amount for which Amcan may become liable under the guarantee is \$3,600,000, this figure to be reduced by the cost of any units purchased subsequent to December 31, 1970.

11. Interest in Great Northern Capital Corporation

Since December 31, 1970, 416,000 shares of Great Northern Capital Corporation Limited have been pur-

chased and, under certain circumstances, a further 80,000 shares could be acquired in November 1971.

12. Remuneration of Directors and Officers

Remuneration of Amcan's directors and officers for 1970 was as follows:

- (a) Twelve directors received aggregate remuneration, as directors, of \$12,000.
- (b) Five officers, of whom one is also a director, received aggregate remuneration, as officers, of \$169,000.

Certain of the directors and officers are also directors and/or officers of the subsidiary companies, but received no remuneration in those capacities.

13. Earnings Per Share

	1970	1969
Net income	10.8¢	61.3¢
Gain on realization of investments . .	11.8¢	94.2¢

14. Comparative Figures

Certain 1969 figures in the consolidated financial statements have been restated to conform to the 1970 presentation.

Auditors' report

To the Shareholders of

Anglo American Corporation of Canada Limited:

We have examined the consolidated balance sheet of Anglo American Corporation of Canada Limited and its wholly-owned subsidiary companies as at December 31, 1970 and the consolidated statements of income and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1970 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

DELOITTE, HASKINS & SELLS
Chartered Accountants.

TORONTO, ONTARIO,
March 5, 1971.

